

CORONATION PREFERENCE SHARE

Class A

as at 30 June 2008

During these tough market conditions of falling share prices, wealth erosion and the rising cost of living, one financial instrument which has been getting 'cheaper' and providing an increasingly attractive yield is the preference share. In some cases this has not gone unnoticed, yet many investors are not taking up this incredible opportunity. We believe that preference shares are largely misunderstood and in many cases mispriced.

Preference shares receive a linked-to-prime dividend ahead of ordinary shares. They are not a money market instrument. While the capital losses suffered on these shares have been substantial over the last few years, the big attraction is their high dividend. Given that the dividend is directly linked to the prime rate, resulting in ever higher dividends in this rising interest rate environment, one would expect that such an investment grows more valuable and that the price rises. This has not been the case, and prices have been falling. Investors who bought preference shares as a money market equivalent have exited as the capital volatility has become overwhelming.

We now see this as an important buying opportunity and encourage those investors, with the ability to take on some risk over the long term, to lock into the very attractive effective yields currently available from the preference share market. The Coronation Preference Share Fund, now yielding 13.2% gross, is paying 85% of prime. Most of the preference shares were issued at between 63% and 75% of prime, and this has now risen.

The table sets out the preference shares total return and dividends earned to the end of June 2008* for the four big bank preference shares. These make up 40% of the Coronation Preference Share Fund and have outperformed some of the smaller banks and the corporate preference shares in recent months.

Preference Share	Capital return over last year	Dividend earned over last year	Total return
ABSA	-8.7%	9.5%	0.8%
Standard Bank	-6.5%	9.2%	2.7%
Nedbank	-7.3%	9.2%	1.9%
Firststrand	-10.5%	9.4%	-1.1%

** Deutsche Bank, June 2008*

Investors have remained concerned about further price declines and this is reflected in the persistently low market prices as demand has been weak. However, we believe that chances of further negative moves of this magnitude are low. Rather, we expect that once the interest rate cycle has turned preference shares should trade higher.

Any uncertainty around the tax treatment of preference shares has also started to become clearer with a number of the banks confirming that they intend to adjust the preference share dividend upwards by the tax payable (switching from STC to withholding tax), thereby leaving investors unaffected. This is a reassuring step.

The Coronation Preference Share Fund offers good value and the opportunity to lock in a very attractive after-tax yield for those prepared to sit out the price volatility over the next while.

Tania Miglietta and Godwill Chahwahwa
Portfolio Managers

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CORONATION
FUND MANAGERS

Fund category
Fund description

Domestic Fixed Interest Varied Specialist
Invests in a range of quality listed preference shares with the aim of maximising yield in the form of dividend income.

Launch date

2 October 2006

Portfolio manager/s

Tania Miglietta and Godwill Chahwahwa

Fund size

R200.0 million

NAV

87.11 cents

Benchmark/performance fee hurdle

Alexander Forbes 3-month (STeFI) Index, adjusted for maximum individual tax rate

PORTFOLIO DETAIL

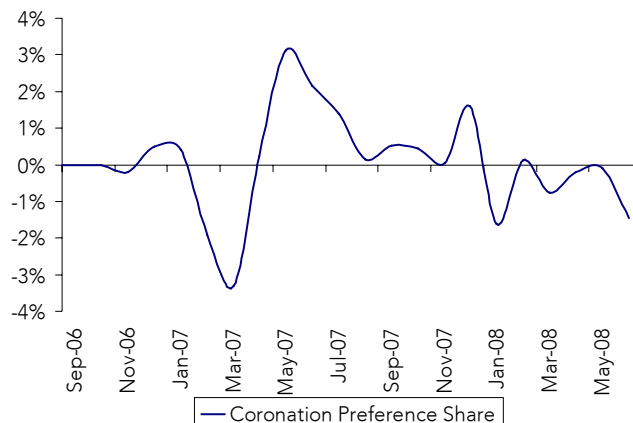
ASSET ALLOCATION AND EXPECTED EFFECTIVE YIELD

As at 30 June 2008	Weight	Annualised Yield	Contributions to overall yield
Bank issued preference shares	65.73%	12.87%	8.46%
Corporate issued preference shares	28.64%	14.04%	4.02%
Convertible preference shares	1.86%	14.69%	0.27%
Ordinary equity	0.00%	0.00%	0.00%
Cash (pre-tax)	3.78%	12.00%	0.45%
Gross yield			13.21%
Less: Total expense ratio ²			(0.71%)
Less: Trading costs ²			(0.50%)
Net expected effective yield			12.00%

This yield estimate is provided to give an indication of the achievable yield for an investment made at the reporting date. Actual experience may differ, based on changes in market values, official interest rates and changes in costs actually experienced during the investment period.

PERFORMANCE AND RISK STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



TOP 10 HOLDINGS

As at 30 June 2008	Preference Share	Annual yield	Credit rating
	Absa Preference Shares	12.38%	AAA
	Standard Bank Cum Preference Shares	12.18%	AA+
	FirstRand Ltd Preference Shares	12.74%	AA
	Nedbank Non Cum Preference Shares	12.35%	AA-
	Investec Ltd Preference Shares	13.93%	A+
	African Bank Preference Shares	14.05%	A+
	Investec Non Red Cum Preference Shares	14.16%	A+
	Network Healthcare Preference Shares	14.13%	A
	PSG Preference Shares	14.45%	A-
	Grindrod Ltd Preference Shares	14.19%	BBB+

PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	-3.01%	3.28%	-6.29%
Latest 12 months	-3.54%	6.38%	-9.92%
Since inception (annualised)	-0.83%	5.87%	-6.70%
2007	1.11%	5.64%	-4.53%
2006 (October – December)	0.49%	1.22%	-0.74%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/06/2008	01/07/2008	1.94	1.82	0.12
31/03/2008	01/04/2008	2.91	2.82	0.09
31/12/2007	01/01/2008	1.49	1.42	0.07
30/09/2007	01/10/2007	2.46	2.40	0.06

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	5.55%	0.31%
Sharpe ratio	-2.04	-2.24
Maximum gain	6.62%	17.74%
Maximum drawdown	-4.59%	0.00%
Positive months	38.10%	100.00%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	-3.18%	1.79%	-0.89%	0.56%	0.10%	-1.35%						
Fund 2007	-0.07%	-2.32%	-1.41%	3.66%	2.86%	-0.91%	-0.75%	-1.23%	0.37%	-0.08%	-0.40%	1.56%
Fund 2006										-0.02%	-0.17%	0.68%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee	0.60%
Total Expense Ratio (TER)¹	0.71% per annum